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CEMENT : CONSUMPTION GROWTH AHEAD

World consumption of cement is forecast to continue to increase throughout the next 15 years, taking the annual volume up from the 2283mt of 2005 to around 3130mta by 2015, and 3560mta by 2020, representing overall forward expansion of approximately 56%. This is according to a new detailed Report published by the UK-based independent market consultants Ocean Shipping Consultants Ltd.

According to the 203-page Report*, world **production and consumption** of cement approximated 2283mt in 2005, this level representing an increase of approximately 5.75% (124mt) on the previous year, and a continuation of the annual underlying expansion which has seen year-on-year growth in almost every year since the 1970s.

In tonnage terms, the past half-decade witnessed a global expansion of 633mt, with almost 70% of this overall growth (440mt) coming from East Asia alone, with 76mt from other Asian countries. Other regional expansion includes 7mt for C/S America, 44mt for Africa/Middle East, 48mt for Europe, and 20mt for North America.

The volume of cement entering **world trade** has traditionally been low relative to overall production and consumption - typically accounting for approximately 6-7% in aggregate terms (6.8% in 2005). This is linked to the low unit value of cement, the widespread availability of raw materials, and the link between economic growth and cement consumption - all these factors favouring domestic production rather than import dependence.

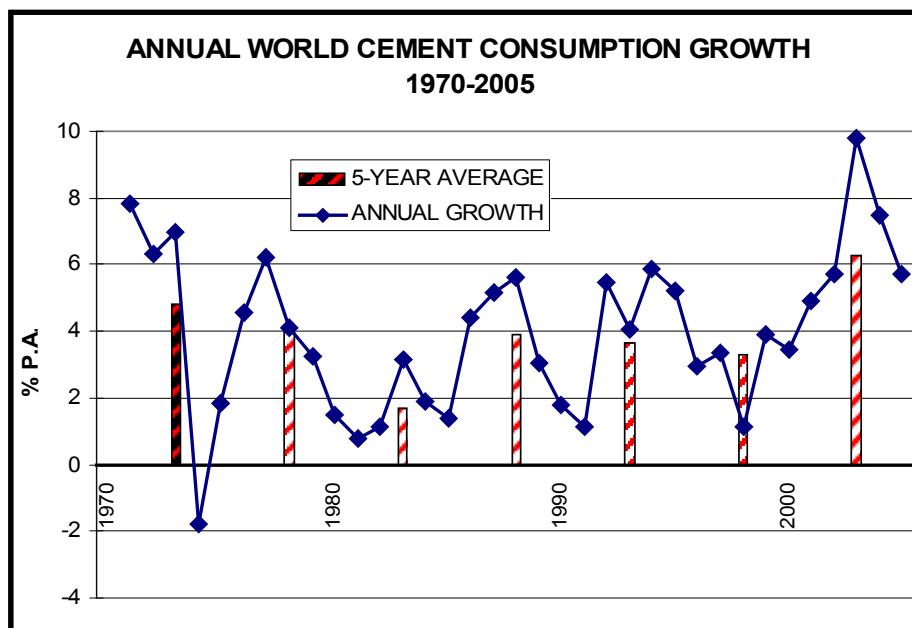
Trade volumes have risen almost continuously over the past 35 years, advancing from 20mta in 1970 to 71mta by 1990 and a 2005 total of 155mt. Most recently, year-on-year growth approximated 7.7% in 2004 and almost 6% in 2005 – linked to US import growth, but also supported by high volume trade within Europe, the Middle East, and Asia. This

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trade growth – summing 19mt (14%) in 2 years – occurred against a background of unprecedented increases in shipping costs.

Within the latest trade total, finished cement trade approximated 107.2mt, with approximately 47.6mt of clinker moved internationally. There has been a shift towards greater significance for clinker within the trade aggregate recently – linked to a number of factors, largely market-specific, as well as to the increased involvement of the multinationals in cement capacity ownership throughout the world.

On a regional basis, 2005 saw totals of 37mt imports and 47mt exports for Europe - including high volumes of intra-European trading (often non-seaborne). Within Asia, S/E Asia and E Asia account for a high share of world exports (15.5% and 23% respectively in 2005), although exports from SW Asia (mainly India) have increased in recent years. Elsewhere, North America (USA) is a major import market, whilst Africa and the Middle East play a significant role in both world exports and imports.



For **future cement markets**, there are very different forward patterns of growth expected for individual regions. Thus, for the main individual regions total forward growth ranges from 1% for North America to over 70% for SW Asia and parts of Europe, and to over 90% for SE Asia.

At the global level, 5-year expansion is expected to approximate 19.75% in 2005-10, slowing to 14.5% in the next half-decade and 13.75% in 2015-20.

Above average growth is anticipated for SE Asia and SW Asia in each of the half-decades, with growth approximating 29%, 23.5% and 19.25% respectively for the former. Cement demand in Africa is also expected to be above average in each period, with half-decade performance of over 21% growth for 2005-10, slowing to 13.8% in 2015-20. A

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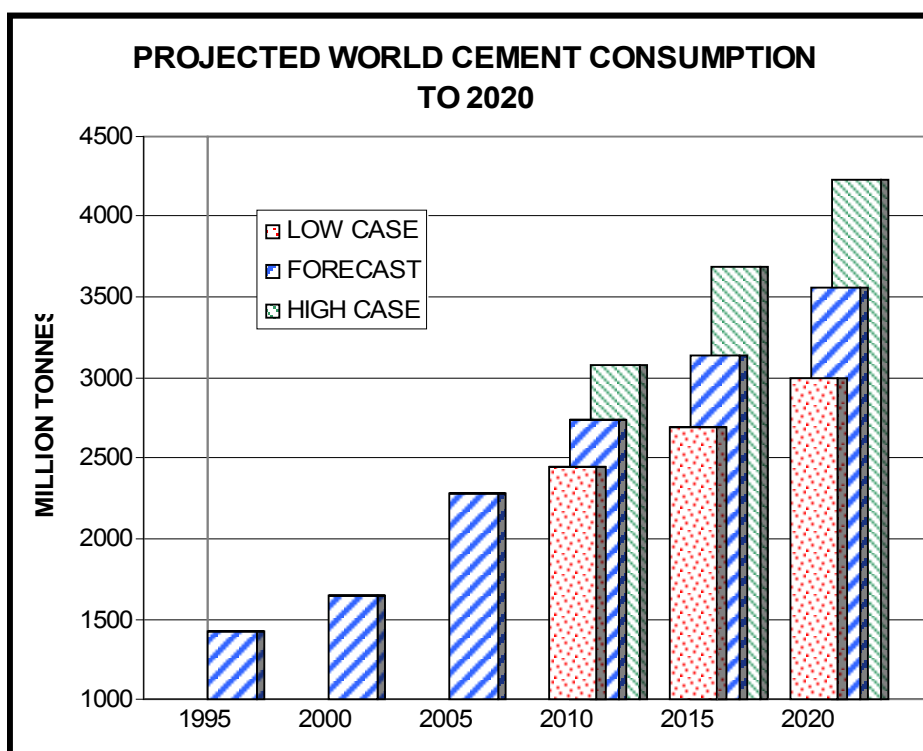
similar profile is recorded for Latin America, whilst for North America, the dominance of the US in the regional profiles dictates a net advance of almost 13.5% in 2005-10, but a contraction of 6.4% and 4.5% in the subsequent half-decades.

Growth in the EU 15 is also expected to be well below the world average, whilst for Other Europe the growth performance is expected to approximate over 25% in 2005-10, slowing to 14.7% in 2015-20.

Of the total 1280mt forecast increase in world cement consumption, over 72% is set to occur in Asia – with volume increases of 710mt for East Asia, 109mt for SW Asia and 111mt for SE Asia.

The Study includes a set of alternative forward scenarios :-

- In the Low Case, the world cement consumption aggregate is projected to grow only marginally in the near-term, followed by more significant growth thereafter. The global total is projected to reach over 2440mt by 2010, and 2995mta by 2020 - representing overall forward expansion of just over 31%.
- In the High Case, the profile is somewhat different, in that average annual expansion is expected to be relatively high over the near/medium-term, slowing thereafter. In tonnage terms, this translates to a projected level of around 3075mta by 2010, rising to 4220mta by 2020. Total forward growth approximates 85%.



The development of **future cement trade volumes** will continue to be dominated by essentially short-term import requirements, set against an underlying background of clinker import dependency and other long-term supply patterns.

Trade volumes will remain highly susceptible to cost and availability factors, with any major shift in shipping costs being of potential primary significance in this regard, as witnessed in the past 2-3 years.

The continuing consolidation of the cement industry at the global level – in terms of capacity ownership by the cement majors – will continue to act as a restraint on imports in some markets and will encourage trade in others.

The very nature of the cement trade suggests continued significant year-on-year volatility for individual markets and potentially at the aggregate trade level throughout the study period. This will continue to be exacerbated by any major movement in shipping costs through bulk carrier freight rates.

In 203 pages, the highly detailed and extensive new report contains analysis of cement production, consumption, imports & exports for individual countries throughout the world.

The Report includes detailed forecasts of developments throughout the period to 2020, and is essential reading for all parties with an interest in the future development of the cement industry.

GLOBAL CEMENT to 2020

Country-by-Country Forecasts of Cement Supply & Demand

Available 4th April 2006.

Price : £695 or €1100 or US\$1350 (all including courier delivery) – for printed or electronic version.

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